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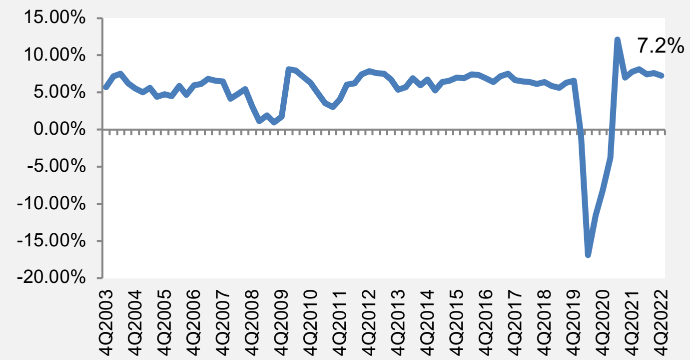
JANUARY 2023

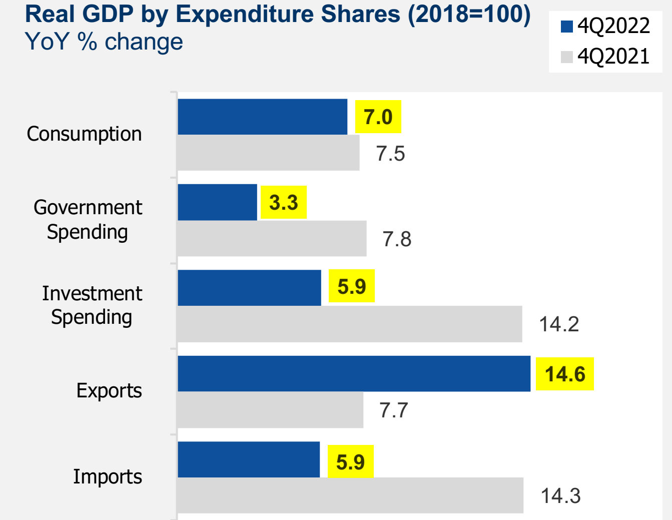
Metro Research

Philippines’ 4Q & Full-Year 2022 GDP Growth

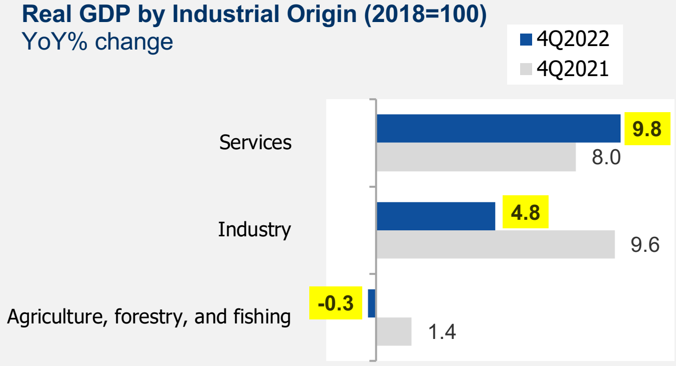
Real GDP (2018=100)
YOY % Change



Real GDP by Expenditure Shares (2018=100)
YoY % change



Real GDP by Industrial Origin (2018=100)
YoY% change



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Q4 2022 GDP growth exceeded expectations, and FY 2022 growth beat government targets

The Philippine economy continued to expand above 7.0% for the seventh straight quarter, recording 7.2% year-on-year growth in Q4 2022, notably faster than the 6.8% median analyst forecast from a BusinessWorld poll. This growth, however, was slower than the 7.6% print reported in the previous quarter and the 7.8% growth during the same period last year. Nonetheless, among the emerging regions who have already released their Q4 2022 GDP data, the PH grew the fastest. This continued growth highlights strong consumption from revenge and holiday spending, robust export performance, and increased tourism despite external headwinds.

Full-year growth was then recorded at 7.6%, beating the government’s target of 6.5% to 7.5%.

On the demand side, all components posted positive expansions. Household spending (C) grew 7.0% y-o-y, highlighting the boost from holiday spending. This was however slower than the 7.5% recorded in Q4 2021, mostly on base effects. On an annual basis, consumption substantially grew by 8.3% in 2022 vs 4.2% the previous year, owing to improved COVID-19 risk management and easing of mobility restrictions, which allowed face-to-face classes and prompted revenge spending/traveling, among others. Government spending (G), on the other hand, only marginally grew by 3.3% in Q4 compared to 7.8% during the same period last year, and only expanded by 5.0% annually in 2022 vs 7.1% in 2021. Additionally, investment spending (I) posted a y-o-y growth of 5.9% in Q4 2022, lower than the 14.2% during the same period last year due to base effects. On an annual basis, investments grew by 16.8%, slightly lower than 20.3% in 2021. On the contrary, exports substantially surged by 14.6% in Q4 2022 vs 7.7% recorded in Q4 2021, highlighting the stellar export performance of the PH during the last quarter, while imports only rose by 5.9% on a quarterly basis, slower than 14.3% in Q4 2021. Both exports and imports, especially exports, reported considerably faster annual growth rates of 10.7% and 13.1% respectively, versus 8% and 13% in 2021.

On the supply side, the services sector posted the highest growth at 9.8% in Q4 2022 (versus 8.0% in Q4 2021) owing to the stellar performance of accommodation and food service activities and transportation and storage, reflecting the impact of relaxed COVID-19 restrictions. On an annual basis, it grew by 9.2% in 2022, considerably higher than 5.4% in 2021. Industry expanded by 4.8% in Q4 primarily driven by construction, although lower than its 9.6% growth during the same period last year due to base effects. This also resulted in a 6.7% expansion in 2022 vis-à-vis 8.5% in 2021. On the contrary, Agriculture, fisheries, and forestry contracted in Q4 2022 by -0.3% vs 1.4% in Q4 2021. However, this was the first time since 2019 that the sector expanded on an annual basis, specifically by 0.5%, following consecutive contractions in 2020 and 2021.

Outlook

The Philippines outperformed growth expectations in 2022, as improved domestic conditions offset external challenges. Growth was primarily fueled by private consumption, with pent-up demand driving revenge spending due to the reduction in COVID-19 cases and subsequently the accelerated pace of the economic reopening. Note that election-related and campaign activities during the first half of the year likewise boosted domestic demand and bolstered certain industries such as travel, accommodation, information and publishing, and communication industries, among others

Challenges remain, however, as inflation is expected to remain elevated due to high food and commodity prices, second-round effects, potential renewed supply disruptions from the conflict in Eastern Europe, as well as China’s demand recovery. Additionally, higher interest rates may likewise temper consumption and subsequently growth, and possible recessions in advanced economies such as the US and Europe may pull down the country’s growth this year.

Albeit slower than last year’s expansion, the PH is still expected to experience robust growth in 2023, estimated at 6% to 7% (in line with government projections), given continued recovery of industries and sectors affected by the pandemic, and healthy domestic demand.